Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of Applications of WorldCom, Inc. for Transfers of Control of MCI Communications Corporation	))))	CC Docket No. 97-211

BELLSOUTH CORPORATION COMMENTS ON THE JOINT REPLY OF WORLDCOM, INC. AND MCI COMMUNICATIONS CORPORATION

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SUMMARY

WorldCom and MCI must demonstrate that combining their operations will enhance competition and benefit the public interest. To-date, they have demonstrated little interest in creating a factual record adequate to the task. As BellSouth and others have shown, combining two of the four national long distance networks creates great competitive risks. The proposed combination is likely to strengthen the long distance industry's historic drive to cooperate to raise prices. Chairman Kennard notes "the growing body of evidence that suggests that the nation's largest long distance companies are raising rates when their costs of providing service are decreasing." This proposed combination is likely to result in higher long distance prices, especially to mass market consumers. By combining the two largest providers of Internet backbone transport and endowing them with a huge edge in traffic, the proposed deal threatens to erect a private toll gate on the Internet.

In the face of these concerns, WorldCom and MCI refuse to acknowledge their burden to put forward an affirmative case demonstrating public interest benefits from their combination. Instead, they argue that the Commission and the public should trust that the construction of new facilities to provide long distance transport will somehow prevent them from exercising the anticompetitive power this deal would create. However, WorldCom and MCI make no demonstration that these new facilities would provide the protection required by Commission analysis of new entry. And, they provide no reason at all to think that these facilities will erode their dominance over Internet traffic.

The logical remedy for the anticompetitive concerns raised by this combination is to allow BOCs to enter into full fledged competition in the long distance and Internet markets. BOCs will bring enough new competition to these markets to replace what is lost through a combination of WorldCom and MCI. BOC entry will bring competition to the mass market and the non-metropolitan areas likely to be ignored by a combined WorldCom/MCI.

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INTRODUCTION

BellSouth's *Petition for Conditional Approval of the Applications of WorldCom, Inc. for Transfers of Control of MCI Communications Corporation* (dated January 5, 1998) ("*Petition*") pointed out the obvious public interest concerns raised by WorldCom's proposed acquisition of MCI. BellSouth's analysis started with the widely accepted market share presumption contained in the DOJ-FTC Merger Guidelines used by the Commission. Those Guidelines presume that this acquisition is "likely to create or enhance market power or facilitate its exercise" in both long distance and Internet markets. Merger Guidelines at § 1.51. BellSouth's *Petition* pointed out that these presumptions were supported by the history of non-competitive behavior in the long distance industry. Since that *Petition* was filed, the major long distance carriers have continued their anticompetitive pricing practices. Chairman Kennard refers to the "growing body of evidence that suggests that the nation's largest long distance companies are raising rates when their costs of providing service are decreasing."[1] BellSouth's *Petition* also shows how WorldCom's focus on business customers and the huge price premium it would pay for MCI further support the conclusion that consummation of this deal would harm consumers.

The *Joint Reply of WorldCom, Inc. and MCI Communications Corporation to Petitions to Deny and Comments,* Dkt. No. 97-211, (filed January 26, 1998) (the "*Joint Reply*") does not carry their burden to demonstrate that their combination is in the public interest. In fact, the applicants never acknowledge that the burden of proof rests with them. Thus, consistent with their "stealth application" approach, rather than complying with the Commission's requirements that they define markets, identify competitors and their significance, and describe and weigh efficiencies that are deal-specific, WorldCom and MCI take potshots at the other parties. WorldCom/MCI's main argument is that current market concentration is not a predictor of the competitive harm this deal will cause, principally because of current plans to construct new fiber transport facilities. However, WorldCom/MCI produce none of the evidence required by Commission rulings and the Merger Guidelines that would support their entry argument.

This proposed acquisition will harm the public interest unless the barriers to Bell Operating Company ("BOC") entry and competition with a merged WorldCom/MCI come down. A WorldCom/MCI combination will consolidate today's facilities-based long distance industry to three players. Tacit collusion will continue or worsen to the

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1 Letter from Chairman Kennard to Bert Roberts, CEO MCI, William Armstrong, CEO AT&T and William T. Esrey, Chairman and CEO Sprint, Feb. 26, 1998, at p.1.

detriment of consumers. The market power the combination would create over the Internet would eventually harm all consumers. The construction of new fiber facilities on the present planned scale will not prevent this harm. Neither can those or additional facilities counterbalance the anticompetitive harm this deal promises unless those facilities are filled with the traffic BOC entry can bring. Allowing BOC entry is the simplest solution to the harm promised by this deal, and will avoid any need to "regulate" the Internet as a remedy to the consumer harm promised by this proposed acquisition.

I. THE BURDEN OF PROOF RESTS SQUARELY ON WORLDCOM AND MCI

As detailed in BellSouth's *Petition*, WorldCom and MCI carry the burden of proving that allowing them to combine will enhance competition and serve the public interest.[2] WorldCom/MCI never take direct issue with this fact, but neither do they own up to it. Instead, they continue to act as though the burden here is on the other parties. They continue to refuse to provide the factual information necessary to create an adequate record for Commission action. Neither do they define markets or identify market participants and their significance, as Commission precedent requires merger applicants to do in their initial applications. The applicants can hardly expect approval of the largest telecommunications merger ever without providing a record that meets their clear obligations.

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2 Applications of NYNEX Corporation and Bell Atlantic Corporation For Consent to Transfer Control of NYNEX Corporation and Its Subsidiaries, File No. NSD-L-96-10 (rel. Aug. 14, 1997) (*Bell Atlantic/NYNEX Order) at ¶ 32;* Petition at 2-4.

II. WORLDCOM AND MCI POINT TO NO MERGER SPECIFIC EFFICIENCIES OR SAVINGS IN THE LONG DISTANCE OR INTERNET MARKETS

The Commission has recognized that parties may seek to demonstrate that any anticompetitive potential of an acquisition is more than counterbalanced by efficiencies.[3] The Commission has stated that only merger-specific efficiencies realized in the particular market threatened by competitive harm will be weighed in that balance.[4] These merger-specific savings must be quantified, and the parties must demonstrate that they outweigh any anticompetitive potential.[5] The Merger Guidelines echo the Commission's approach, stating that the government "will reject claims of efficiencies if equivalent or comparable savings can reasonably be achieved by the parties through other means." Merger Guidelines at § 4.

WorldCom and MCI refer to pro-consumer efficiencies that their deal will create on the local market side of their operations, but mention none on the long distance or Internet side. *Joint Reply* at 11-12 (discussing efficiencies). Thus, the applicants assert savings in combining local traffic, "collocation costs," "reduced costs in MCI's local activities" and "in capital expenditure savings ... in local network build out." *Joint Reply*

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3 *Bell Atlantic/NYNEX Order* at ¶¶ 157, 158.

4 *Bell Atlantic/NYNEX Order* at n. 300, ¶ 158 (quoting Merger Guidelines rule that only efficiencies "sufficient to reverse the merger's potential to harm consumers in the relevant market, e.g., by preventing price increases in that market" are to be weighed).

5 *Bell Atlantic/NYNEX Order* at ¶ 158.

at 11. These benefits are not spelled out or quantified, and thus do not meet the Commission's requirements.[6]

More importantly, the applicants do not point to any savings from combining their long distance and Internet businesses.[7] Instead, they attempt to weigh asserted local market benefits against long distance and Internet harms. Yet, the parties set out no reason that they could not simply have combined local market operations without combining long distance and Internet operations. Evaluation of the proposed acquisition's harms to long distance and Internet consumers should not be clouded by conjectured benefits in separate markets from an essentially separate local transaction.[8] Any potential consumer harm identified in the long distance or Internet aspects of this

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6 The Commission has held that "applicants cannot carry their burden if their efficiency claims are vague or speculative, and cannot be verified by reasonable means." *Bell Atlantic/NYNEX Order* at ¶ 158. WorldCom/MCI's expert economists, who could have offered support for these claims, state that "we have not independently reviewed these calculations." Declaration of Dennis W. Carlton and Hal S. Sider, January 25, 1998, at ¶ 13, Attachment B to Joint Reply.

7 The applicants make no claim of Internet efficiencies at all. The best they can do for long distance is a brief generic claim that integration of the companies will "permit ... savings in designing and operating its long distance network and in procuring the equipment and facilities needed to run it." Joint Reply at 26. The companies also make a dubious claim of lower "costs of capital." No attempt was made to quantify these claims. The only support cited for these <u>long distance</u> claims is a quote from the Carlton/Sider Declaration that refers solely to the <u>local</u> market. Joint Reply at n. 33, p. 26. The Carlton/Sider Declaration, as noted above, expressly disclaims any independent review of efficiency claims. Carlton/Sider Declaration at ¶ 13.

8 Further, the applicants provide no assurance that any of these "benefits" from avoiding local market expenditures would flow to long distance or Internet markets. Thus, attempting to balance these "benefits" against long distance or Internet market harms would be a purely academic exercise.

proposed acquisition are purely net harms, as WorldCom and MCI suggest no countervailing benefits in these areas.

III. THE LONG DISTANCE MARKET TODAY DOES NOT PERFORM COMPETITIVELY; THE COMBINATION OF WORLDCOM AND MCI WILL LEAD TO FURTHER HARM TO LONG DISTANCE CUSTOMERS

As Chairman Kennard has noted, there is a "growing body of evidence that suggests that the nation's largest long distance companies are raising rates when their costs of providing service are decreasing."[9] The Commission and the Department of Justice have each recognized that long distance competition is not all that it should be.[10] BellSouth set out some of this evidence in its *Petition* and attached declarations. BellSouth identified market share numbers and calculated Herfindahl-Hirschman Indexes ("HHIs"), following the Merger Guidelines. Those HHI calculations place this proposed acquisition squarely in the category of acquisitions that directly threaten consumer welfare. BellSouth's Merger Guideline calculations and presumptions are used every day by the government to analyze mergers, and are widely accepted. BellSouth then

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9 Letter from Chairman Kennard to Bert Roberts, CEO MCI, William Armstrong, CEO AT&T and William T. Esrey, Chairman and CEO Sprint, Feb. 26, 1998, at p.1.

10 Memorandum Opinion and Order, *Application of Ameritech Michigan Pursuant to Section 271 of the Communications Act of 1934, as Amended, to Provide In-Region, InterLATA Services in Michigan,* CC Dkt. No. 97-137 (rel. Aug. 19, 1997)("*Michigan Order*"); Evaluation of the Department of Justice, *Application by SBC Communications Inc., Pursuant to Section 271 of the Communications Act of 1934, as amended, To Provide In-Region, InterLATA Services in Oklahoma*, CC Dkt. No. 97-121 (FCC filed May 16, 1997) at p.4 (the HHI "for aggregated interLATA services nationwide was approximately 3,272 in 1995, placing it well within the concentrated range").

explained just how those presumptions were likely to play out, given the industry's oligopolistic pricing history, the pressures of the astronomical premium WorldCom proposes to pay, and the likelihood that residential consumers would be abandoned or singled out for ever greater real price increases. BellSouth's analysis leads straight to the conclusion that combining two of today's four national facilities-based interexchange carriers will further reduce long distance competition and harm consumers.

WorldCom/MCI's reply is not designed to put forward evidence to carry their burden of showing that their combination will enhance competition and benefit the public interest. Rather, it attempts simply to poke holes in the arguments of the other parties. WorldCom/MCI argue that other parties to this proceeding have relied too heavily on market share evidence, and that entry into the long distance business is so easy that no anticompetitive harm could result from the proposed combination. WorldCom/MCI's attempted rebuttal is misplaced.

A. WorldCom/ MCI's Contention That Entry Is So Easy That No Anticompetitive Harm Will Result From Their Proposed Acquisition Is Unsupported And Wrong

WorldCom and MCI do not take issue with the market share numbers offered by BellSouth and others.[11] Nor do they deny that their proposed combination places them in

[11] WorldCom/MCI accuse BellSouth of ignoring the "other" category of smaller, generally non-facilities-based long distance carriers from its calculations. Joint Reply at 30. BellSouth noted that it left this category of carriers out of its HHI calculations because including it would not affect the HHI numbers significantly. Petition at 10, n.19. As should be clear from even the most basic familiarity with the Merger Guidelines, including additional carriers and their market shares could only raise concentration levels and make the proposed combination more suspect. In fact, a more appropriate calculation of the HHI index would attribute to WorldCom/MCI and the other national facilities-based carriers the shares of these smaller carriers that resell the networks of the national

a category of mergers "likely to create or enhance market power or facilitate its exercise." Merger Guidelines at § 1.51. Instead, citing the Merger Guidelines' Entry Analysis section, the applicants argue that entry into the long distance business is so easy that no competitive harm can result from this combination. Although citing the Merger Guidelines conclusion that certain kinds of entry can prevent anticompetitive harm, WorldCom/MCI totally ignore the Merger Guidelines' detailed discussion defining that kind of entry. WorldCom and MCI present no facts, or even arguments, directed towards specifically showing that entry would qualify as the "timely, likely and sufficient" entry that the Merger Guidelines require. Merger Guidelines at § 3.0. They also ignore the Commission's entry analysis in its *Bell Atlantic/NYNEX Order*, which concluded that entry into telecommunications market was difficult because barriers to both entry and exit could be encountered.[12]

Commission orders and the Merger Guidelines explain that a merger will not threaten competition if entry is "so easy that market participants, after the merger ... could not profitably maintain a price increase above premerger levels." Merger Guidelines at § 3.0. The Commission's *Bell Atlantic/NYNEX Order* and the Merger Guidelines carefully describe the prerequisites for finding that such "easy" entry is possible. Such entry must be "timely, likely and sufficient" to defeat a price increase by the merging parties as defined by the Guidelines.

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carriers. This would significantly increase both the HHI index and the change in the index due to the proposed combination. The point of course is not to rely slavishly on exact HHI numbers, but on whether they place a combination like WorldCom/MCI's clearly in the highly suspect range, as does any reasonable calculation here.

[12] *Bell Atlantic/NYNEX Order* at ¶ 129.

The *Joint Reply* simply describes the existing plans of Qwest, IXC, Williams and others to construct long distance fiber networks. *Joint Reply* at 35-36. It does not even argue that any of these planned additions meet the Commission's requirements for entry that would effectively prevent anticompetitive harm. Thus, WorldCom/MCI do not compare these plans for additional facilities to additional projected demand to determine whether they will bring any net new capacity to the expanding long distance market, and thus begin to meet the Commission prerequisites. Neither do WorldCom/MCI discuss the fact that these plans pre-date their proposed merger, and thus do not necessarily show the potential for entry in response to an anticompetitive merger required by the Commission and the Merger Guidelines. Similarly, no facts or argument is presented that today's market shares, and their prediction of anticompetitive harm, are not accurate predictors of what the relevant shares will be in the future.[13] Nor do WorldCom and MCI suggest any way to measure the impact of this new entry. Generally, MCI and WorldCom seem to favor using presubscribed lines or revenues to measure market share, as best suits their needs in a particular situation. Under these measures, of course, the new entrants have no effect. The fact that new firms are entering a growing market does not, by itself, suggest anything relevant to this combination. It certainly does not affect the conclusion that a combined WorldCom/MCI, with AT&T and Sprint will continue their course of oligopoly pricing to the harm of residential customers.

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[13] WorldCom and MCI have not made any assertion that their market shares understate their competitive significance. Each are active participants in the market, and are likely to grow along with it, and perhaps faster than the market. *Cf.* United States v. General Dynamics Corp., 415 U.S. 486 (1974).

B. The Proposed Acquisition Is Likely To Further Reduce Competition for Residential Customers

BellSouth's *Petition* showed that the combination of WorldCom and MCI will particularly harm residential long distance customers. Either residential customers will simply be jettisoned in favor of WorldCom's chosen base of more lucrative business customers or the combined WorldCom/MCI will become a leader of, or a more willing participant in, the current oligopoly, in order to raise prices and margins on residential business. *Petition* at 16-19. BellSouth pointed out that WorldCom had raised the issue of spinning off MCI's residential customers base, and that the astronomical deal premium and Wall Street's response to WorldCom's proposal would greatly reinforce WorldCom's initial inclination.[14] *Petition* at 6-7. BellSouth's *Petition* contained a rough calculation of the effects such a spin-off would have on the consumer market. *Petition* at 10-11. That calculation is one way to look at the consumer effects of this deal, either directly through a spin-off or through a combined WorldCom/MCI's reduced incentives to serve residential customers at today's terms. That calculation yields a prediction of this deal's likely effect on residential consumers equivalent to an increase in the HHI from 3,960 to 5,630, a change of about 1,700 points. This illustrates the enormous consumer harm promised by combining WorldCom and MCI given the current performance of the long distance market.

14 M. Mills, *WorldCom would shift MCI's Focus*, Wash. Post, October 3, 1997, at A1 (quoting John Sidgemore). Spinning off residential customers is exactly what WorldCom did in its Internet related deals with AOL and CompuServe.

The *Joint Reply* provides little more than rhetoric in the way of a response. This rhetoric is best summed up by the parties' claim that their Chairmen will "confirm in writing" to Chairman Kennard a commitment to continue "MCI's long-standing commitment to residential customers." *Joint Reply* at iv. (Apparently, no commitment is to be gotten as to WorldCom.) No such confirmation has appeared to-date. The remainder of the *Joint Reply* on this issue is dedicated to repeating the notion that because it made sense for WorldCom and MCI individually to serve residential customers before the deal, it would automatically make sense for a combined company to do so. *Joint Reply* at 45. Of course, this is no response at all. The combined companies will not act as its separate components would have, if only because the deal premium must be funded. A combined WorldCom/MCI will have a different market position and different options open to it, which it will surely exploit, to the detriment of long distance consumers.

IV. A WORLDCOM/MCI COMBINATION THREATENS TO CREATE MARKET POWER OVER A KEY PORTION OF THE INTERNET

The general consensus of the parties that filed in this proceeding as well as of industry observers is that a combined WorldCom/MCI will control well over half the traffic on Internet backbones. *See* Attachment A (setting out estimates of a combined WorldCom/MCI's share of Internet traffic.) In addition, WorldCom, with the UUNet, MCI, AOL, and CompuServe backbones, and an agreement to carry MSN's traffic, will carry far more traffic than the next largest backbone. Control over this much traffic will require other parties to interconnect with WorldCom/MCI's backbone and

WorldCom/MCI can set the price. This combination would create a WorldCom/MCI tollbooth on the Internet that could not be avoided. The trend started by WorldCom to charging substantial fees to interconnect with its network will be greatly exacerbated by this transaction. The current congestion on the Internet backbone further cements the ability of a combined WorldCom/MCI to exert market power over Internet connections.

Despite their own pre-deal statements individually claiming large shares of Internet traffic, WorldCom and MCI now argue that only revenue matters. Pre-deal, for example, WorldCom claimed to carry "35 to 40 percent of U.S. data traffic on the Net."[15] After its deals with CompuServe and AOL, WorldCom claimed "about 50 percent of the U.S. dial-up traffic will be on the UUNet network."[16] MCI has claimed to carry over 40 percent of Internet traffic over its backbone.[17] And, UUNet claims to be a bigger Internet player than MCI.[18] Now, WorldCom/MCI want to shift to a market definition that appears to include all revenue derived from all Internet services. *Joint Reply* at 76-77. Illustrating the problem with their stealth application approach, the applicants do not bother to define what is included in their newly adopted market. Nor do they release the revenues they used to calculate their own shares in this market. Regardless, WorldCom/MCI's "market" seems to mix local ISP revenue from providing customer

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15 *Internet Order Bolsters Ascend*, San Francisco Examiner, Apr. 25, 1997 at B-1.

16 *UUNet Plants Multicast Flag*, Internet Week, Sept. 29, 1997.

17 Bert C. Roberts, Chairman & CEO, MCI, remarks before National Press Club, Oct. 29, 1996. *See also* G. Gilder, *Telecoms Feasting on the Giant Peach*, Forbes, Aug. 26, 1996, at 84 (MCI carries 40 percent of Internet traffic).

18 B. Meeks, *Justice Probes WorldCom-MCI Deal*, MSNBC, Oct. 15, 1997, http://www.msnbc.com/news/114314.asp.

service with revenues from providing long distance transport service. Such a market definition makes no sense. It flies in the face of industry practice, including the pre-deal practices of WorldCom and MCI.

In the market share arena, it is also worth noting that WorldCom/MCI adopt revenue as the "best and only reliable means" to measure competitive shares in their "Internet services" market. *Joint Reply* at 76. They specifically reject Bell Atlantic's calculation of market shares based on a measure of routes or subscribers, *Joint Reply* at 76, while using pre-subscribed lines as the appropriate measure of long distance competitive shares. *Joint Reply* at 30, 39.

WorldCom and MCI also argue that because Internet traffic can flow over data networks, no market for Internet backbone transport exists. This confuses market definition with identifying the firms that participate in the market. The Commission has clearly stated its agreement with the Merger Guidelines that markets should be defined by demand side considerations.[19]

As in their arguments concerning the long distance market, WorldCom/MCI attempt to wrap themselves in the mantle of easy entry under the Merger Guidelines without bothering to actually apply the requirements of that doctrine. Thus, WorldCom/MCI again set out a list of planned projects that could add to Internet capacity. They then conclude that entry is easy so the combination of their networks and traffic cannot threaten competition. They simply ignore the Commission's requirements

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19 *Regulatory Treatment of LEC Provision of Interexchange Services Originating in the LEC's Local Exchange Area,* Second Report & Order, CC Dkt. No. 96-61, FCC 97-142, 1997 WL 193831 (rel. April 18, 1997)

that entry meet the "timely, likely and sufficient" criteria spelled out in the Merger Guidelines. Given the current degree of congestion on the Internet,[20] and the huge projected growth, it is not clear that any of these planned projects will result in a net addition to Internet capacity, and thus provide a potential counterbalance to a combined WorldCom/MCI.[21] Finally, planned fiber additions generally center on routes involving only major metropolitan areas. They promise no relief for consumers outside these areas.

The existence of these planned facilities may have no effect on the dominance of a combined WorldCom/MCI because WorldCom/MCI would continue to control the majority of Internet traffic. Any new backbones will have to interconnect with WorldCom/MCI's, and pay the price. WorldCom/MCI's claim that the combined firm would continue to peer "where it makes economic sense" states the obvious.[22] The obvious concern is that it will make no economic sense to peer with any of these new facilities because neither they, nor anyone else for that matter, will carry traffic on the scale of a combined WorldCom/MCI. Planned facilities do not always equal traffic, as

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[20] Petition of Bell Atlantic, *Petition of Bell Atlantic for Relief for From Barriers to Deployment of Advanced Telecommunications Services Before the Federal Communications Commission*, dated January 26, 1998, Attachment B at pp. 5-26.

[21] There is a general consensus that demand for bandwidth has outstripped supply and will continue to do so. Despite their *Joint* Reply, WorldCom and MCI would seem to agree with this. See, *e.g.*, D. Rohde, *Right out of the Gate, an MCI Price Hike,* Network World, Nov. 17, 1997 at 10 ("demand for bandwidth far exceeds supply right now"); *Size Matters: ISPs Highlight Survival recipes,* Internet week, Oct. 13, 1997 ("if you are not a facility-based ISP you will very soon find there is no more capacity out there to lease, and if you find some, you will be paying premium on it while competing with ISPs that own their own networks," quoting Alan Taffel, UUNet vice president.)

[22] *Joint Reply* at 84.

WorldCom/MCI seem to agree when they suggest actual revenue as the best measure of competitive significance on the Internet.

V. BOC ENTRY INTO ALL LONG DISTANCE MARKETS WOULD REMEDY THE ANTICOMPETITIVE CONSEQUENCES OF THIS COMBINATION AND WOULD AVOID THE NEED FOR INTERNET REGULATION

As set out in BellSouth's *Petition*, the logical remedy to counterbalance the anticompetitive effects of allowing WorldCom and MCI to combine is to replace the competition that will be lost. Opening the door to BOC entry into in-region long distance markets will replace that competition. BOCs have both the consumer credibility and financial resources to underwrite invigorating competition. Thus, BOCs can and will serve the broad market, focusing effort on competing to win the residential consumers who are particularly threatened by the contribution this proposed combination will make toward continued oligopolistic pricing to consumers.

Because they will enter without any market share, BOCs will bring particularly strong competitive forces to the market. The Commission has recognized that BOCs "have the incentive to price competitively (that is to undercut prices that were above the competitive level) in order to win customers." *Bell Atlantic/NYNEX Order* at ¶ 123.

WorldCom/MCI point to plans for new nationwide fiber networks. These networks will not provide competition in long distance or the Internet until they are filled with traffic. BOCs have the credibility to win customer traffic. By bringing this traffic to these new facilities, and by potentially investing in their own facilities to serve smaller cities and rural areas, BOCs can create strong new competitive forces that will benefit all consumers. Thus, planned long distance fiber networks could be filled with Internet traffic from the BOCs in joint undertakings that will counterbalance a combined WorldCom/MCI network. The Commission should open those markets up to competition from the BOCs. Opening this door would protect consumers and meet Congress intent in enacting the Telecommunications Act of 1996.

CONCLUSION

WorldCom and MCI have failed to create a record demonstrating that their combination will enhance competition and benefit the public interest. Given the current artificial barriers to BOC competition in long distance markets, combining WorldCom and MCI will harm competition and consumers in long distance and Internet markets. The remedy to this proposed acquisition's anticompetitive potential is to take down the artificial barrier to BOC entry into competition with the combined WorldCom/MCI. BOC competition will invigorate competition throughout the markets threatened here.

Respectfully submitted,

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Date: March 13, 1998

ATTACHMENT A

Estimates of WorldCom/MCI's Share of Internet Backbone Traffic

Boardwatch Magazine Survey Jon Healey, "MCI Bid Plus Net at Stake," San Jose Mercury News	51%
Information Week Mary Thyfault & Beth Davis, "Users Assess WorldCom's $30 Billion Bid for MCI," Information Week (10/6/97)	49%
Industry experts George Mannes, "Wall St. Worldcom Beater, Internet Worries Linked to Prices,: New York Daily News (10/3/97)	("up to") 80%
Decision Resources, Inc. "WorldCom Tops Its $20 Billion, 20 Month Spending Spree with a $30 Billion Bid for MCI," PR Newswire (10/3/97)	("at least") 60%
Inter@ctive Week Wilson & R. Barrett, "Proposed Colossus Craves International Reach," Inter@ctive Week (10/6/97)	("more than") 50%
Wall Street Journal Thomas E. Weber and Rebecca Wuick, "Would WorldCom-MCI Deal Lift Tolls on Net?" Wall Street Journal (10/2/97)	("more than") 60%
Arlen Communications "Rival's Bid for MCI - Nearly $30 Billion," Sacramento Bee (10/2/97)	("over") 70%

Source: Petition of Bell Atlantic, *Petition of Bell Atlantic for Relief from Barriers to Deployment of Advanced Telecommunications Services Before the Federal Communications Commission, dated January 26, 1998, Attachment C at p. 7*

CERTIFICATE OF SERVICE

I hereby certify that I have this 13th day of March, 1998 served the following parties to this action with a copy of the foregoing **BELLSOUTH CORPORATION COMMENTS ON THE JOINT REPLY OF WORLDCOM, INC. AND MCI COMMUNICATIONS CORPORATION** by placing a true and correct copy of the same in the United States Mail, postage prepaid, addressed to the parties at the addresses listed below:

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